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# INFORMATION REPORT

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1. In a meeting of the SED Politbüro 16 June plans were made for closer cooperation between the SED and the DWK in the formulation of economic policy. The meeting was attended by Pieck, Grötewohl, Dahlen, and Ulbricht. Rau and Selbmann were summoned after the meeting had begun.
2. Reports from state SED headquarters throughout the zone and from the ministries of the interior were discussed at this meeting. All reports agreed that morale is at its lowest in the zone since the Volkskongress election and the evidence of a higher standard of living in the western sectors of Berlin. Animosity to the USSR, the SED, and the government has become extraordinarily strong and is now manifested in the factories and schools and in public meetings. Party experts agree that this hostility cannot be throttled by increased pressure by the police but must be balanced by improving the standard of living in the zone. According to the Party, the population holds the DWK and the SMA responsible for present conditions. Thus the rumor has spread that many of the items offered for sale in western Germany and Berlin were actually produced in eastern Germany and then sold to the West for sound money pocketed by the SMA.
3. Franz Dahlen pointed out that growing anti-Russian feeling is seriously endangering Party organizational work. The principal SED thesis, that political work and political progress are inconceivable except under the aegis of the USSR, is meeting unexpected resistance among the rank and file. In addition to the damaging comparisons between eastern and western standards of living especially evident in Berlin, the "Free Shops" have alienated large segments of the population including SED members, since they afford special opportunities to the privileged few - SED functionaries for example.

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4. Walter Ulbricht laid down the following program. The DWK must not be allowed to appear to be an instrument of the SED, especially since the West German state will soon be actuality. The DWK must remain a neutral institution with all parties represented. Since, however, the important positions are all held by the SED, the Party has a right to expect DWK policy to follow Party decisions without hesitation. The Party realizes that in many instances the DWK functions merely as the instrument of the SMA and must carry out orders. These orders are often issued by Russian economic experts who lack the full picture of USSR policy. Accordingly the SED will have to intervene more often and more authoritatively in matters affecting the entire policy of the Russian zone. Ulbricht stated that the Party is not being presumptuous in thus opposing SMA orders; the SED has explicit instructions to this effect from "higher authority".
5. Ulbricht then demanded that the DWK improve the rations. He got into an argument with Rau when he demanded that more sugar, fats, and Mhrmittel be issued. Rau stated that he had been ordered by SMA to sell sugar for West marks in order to buy machinery desperately needed by SAGs and publicly owned factories. The DWK sold 10,000 tons of sugar and 10,000 tons of gasoline in compliance with these instructions. As for fats and meat, the DWK had extraordinarily generous offers from Yugoslavia, but the SMA forbade it to accept them. Such interference by the SMA renders it unlikely that the improvements demanded by the SED can be accomplished. The DWK is putting all its hopes on the resumption of East-West trade, but it is questionable to what extent the imports, planned by the DWK and vitally required by the Russian zone, will fit into the SMA scheme.
6. Rau went on to request the SED and its press to soften criticism of West German economic policy. The SMA is attempting to establish good relations with Prof. Erhard and the Wirtschaftsrat in order that a considerable portion of the benefits of the Marshall Plan may reach the Russian zone.

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